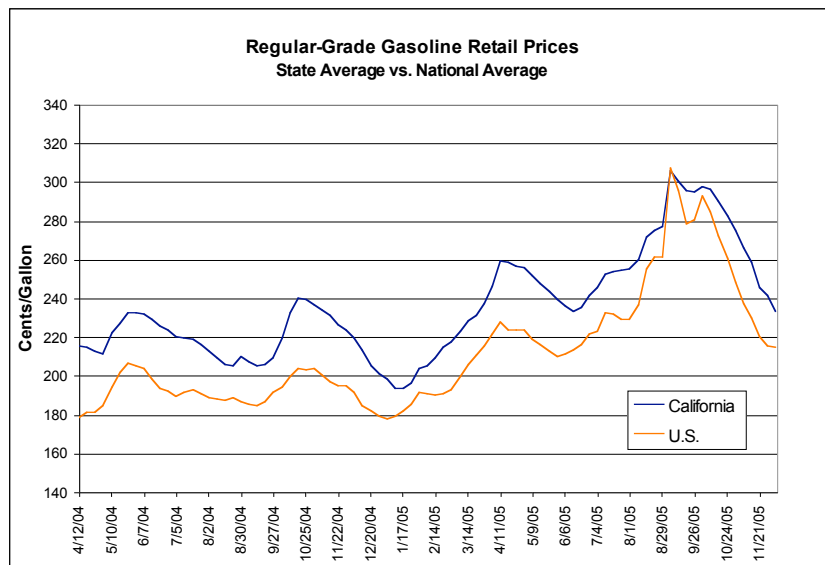
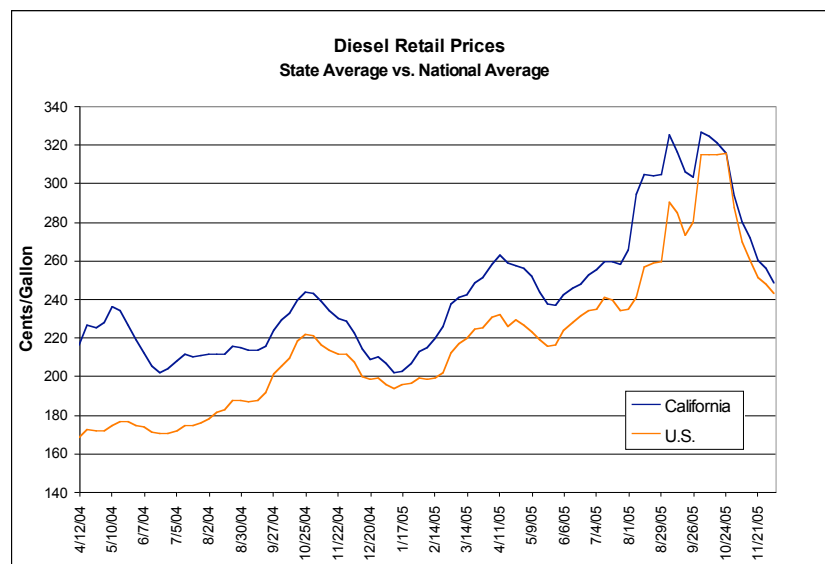


Retail Gasoline and Diesel Prices

- The average statewide retail price for regular gasoline dropped another 8 cents to \$2.34 per gallon as of December 5, down 32 cents in four weeks and 72 cents less than the September 5 record-high price of \$3.06. The difference between U.S. and California retail prices narrowed 7 cents from last week to 19 cents per gallon.¹



- Average California retail diesel prices also continued their steep decline, dropping another 7 cents from the previous week to about \$2.49 per gallon as of December 5. The difference between average California and U.S. retail diesel prices also tightened, falling to 6 cents per gallon, about 15 cents less than the average for 2005-to-date.

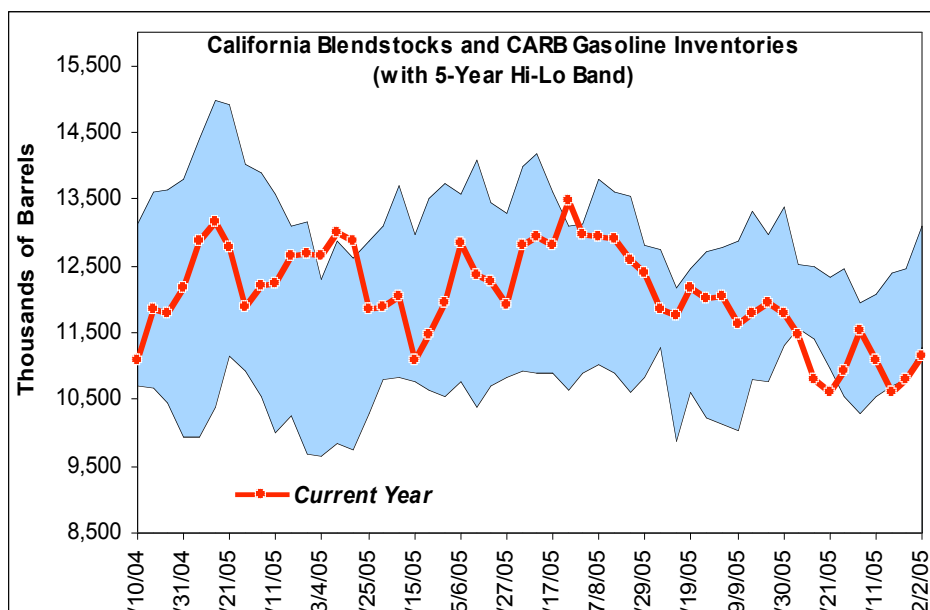
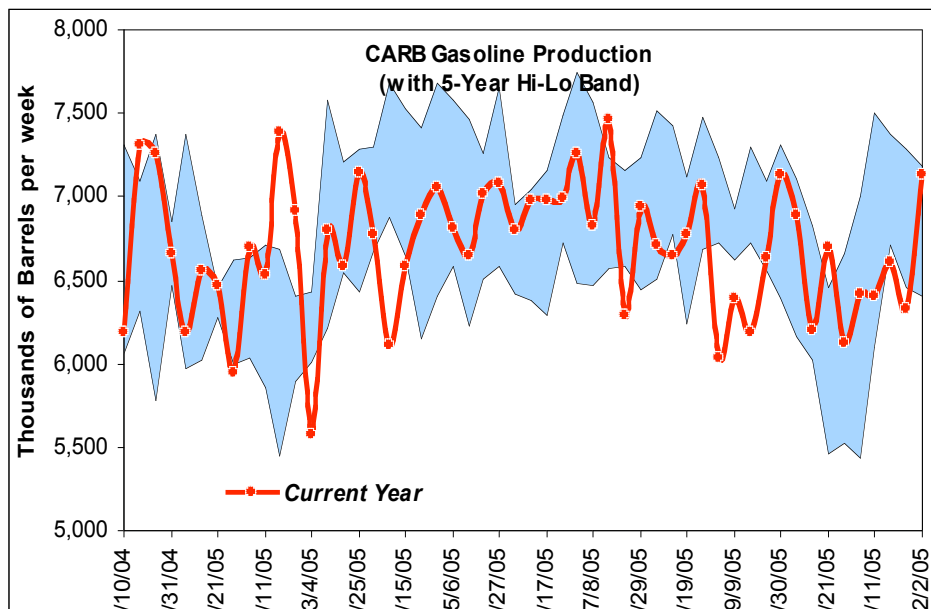


Wholesale Gasoline and Diesel Prices

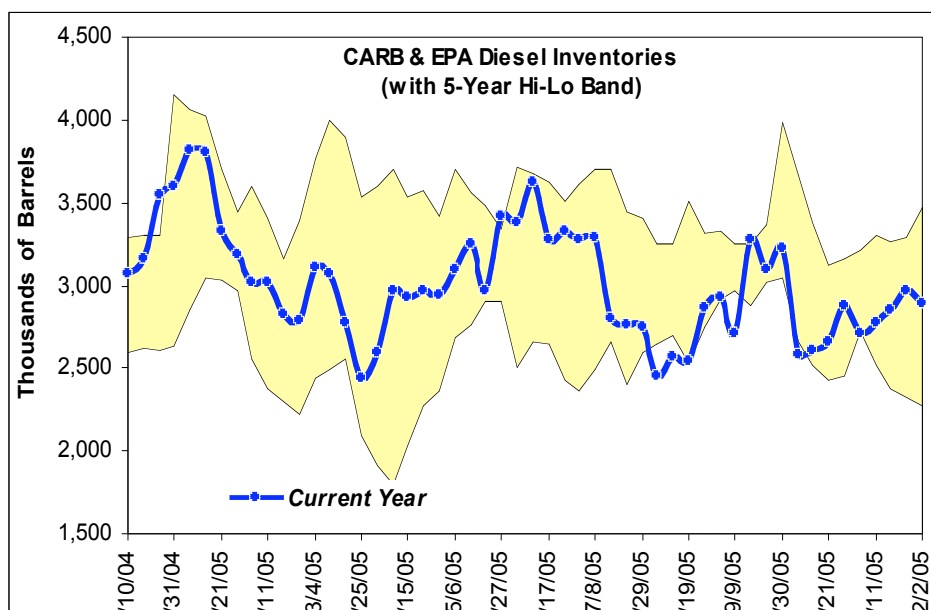
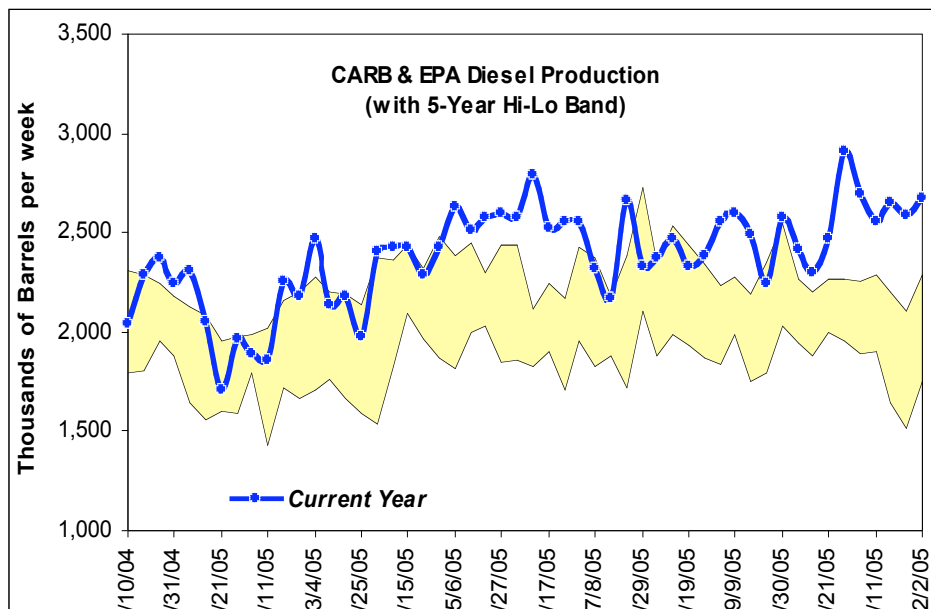
- California wholesale spot gasoline prices as of December 6 ended unchanged from a week ago at \$1.50 per gallon, 90 cents less than the post-Hurricane Rita high of \$2.40 on September 28. This is contrary to trends elsewhere in the U.S., where petroleum prices increased sharply over the week on cold weather and concerns about production and imports. As of December 6, California spot gasoline prices were about 15 cents less than prices in the Gulf Coast area, compared to 15 cents more a week ago, and were also 5 cents less than in New York Harbor.
- The average California wholesale diesel price increased 6 cents during the last week to \$1.65 per gallon as of December 6. Diesel prices are about 73 cents less than the post-Hurricane Rita high on October 4 of \$2.38. However, California wholesale diesel prices fell relative to prices in other regions and as of December 6 average about 9 cents less than the Gulf Coast and 10 cents less than New York Harbor. Unlike elsewhere in the country, the difference between California diesel and gasoline spot prices increased in the last week, with diesel growing to about 15 cents higher than gasoline on December 6, up from 9 cents a week earlier.
- The Energy Information Administration (EIA) weekly assessment for December 2 shows U.S. gasoline demand up 0.3 percent from the previous week, while distillate demand grew 2.3 percent. The latest four-week average demand for gasoline is 9.171 million barrels per day, 0.4 percent more than last year. The four-week average for U.S. distillate demand is 4.04 million barrels per day, 2.5 percent less than last year.

Refinery Production and Inventories

- Of the 16 Gulf Coast refineries shut down at the approach of Hurricane Rita, only 1 remained closed on December 5. Added to the 2 refineries still shut down from Hurricane Katrina, total refining capacity off-line as of December 5 was unchanged at 804,000 barrels per day, or nearly 5 percent of total U.S. capacity.
- Reformulated gasoline production in California during the week ending December 2 exceeded 7 million barrels for the first time since September 30, jumping almost 13 percent from the previous week to 7.1 million barrels. This increase in output is only marginally more than last year but puts production at the high end of the five-year range.²
- With growing production, California reformulated gasoline inventories increased 7 percent from the previous week, while gasoline blendstock inventories were nearly unchanged. However, combined inventories of reformulated gasoline and gasoline blendstocks in the state remained at the lower end of the five-year range, almost 2 percent lower than last year. Meanwhile, with gasoline imports nationwide jumping 365,000 barrels per day from last week's low levels and increasing production, U.S. gasoline inventories grew by 2.7 million barrels to 202.6 million as of December 2.

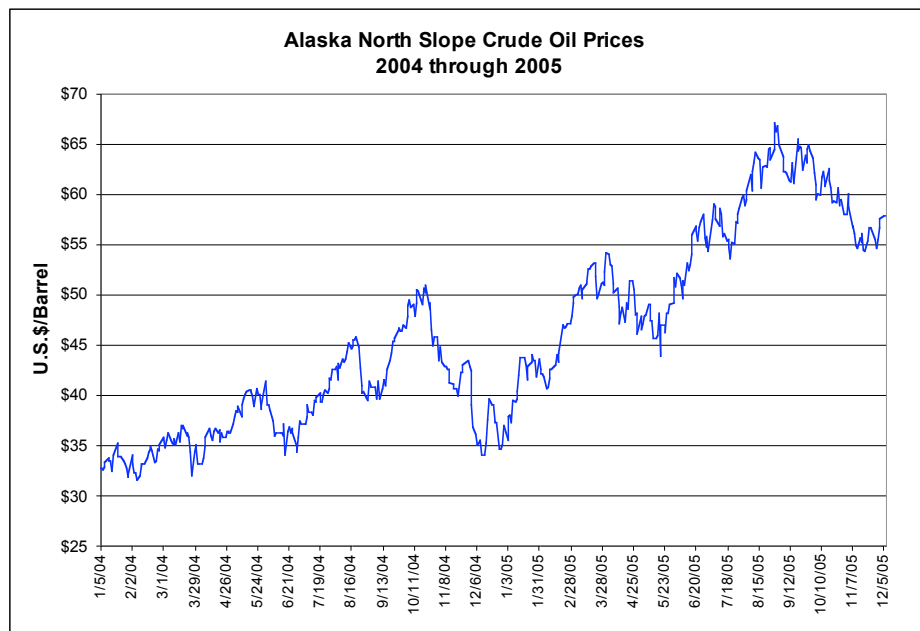


- California production of low-sulfur diesel during the week of December 2, including both California diesel and U.S. EPA diesel, grew by almost 4 percent from the previous week, is 22 percent more than a year ago, and is well above the five-year range. However, combined low-sulfur diesel inventories in the state fell by almost 3 percent from the previous week and are 15 percent less than last year. U.S. distillate inventories grew about 2 percent from the previous week, increasing by 2.7 million barrels to 130.6 million barrels as of December 2.



Crude Oil Prices and Inventories

- After fluctuating around \$55 per barrel for several weeks, West Coast prices for Alaska North Slope (ANS) crude oil, an important refinery feedstock for California, have drifted higher in recent days. As of December 6, ANS crude oil prices were \$57.79 per barrel, primarily due to colder weather in the eastern U.S.³



- U.S. commercial crude oil inventories grew last week to 320.3 million barrels as of December 2. This is 2.7 million barrels more than the previous week, 26.4 million more than last year, and 27.7 million more than the five-year average. Crude oil stocks increased as a big jump in crude oil imports more than offset higher refinery utilization rates, and oil production continued to increase along the Gulf Coast.
- Although offshore crude oil production in the Gulf Coast is steadily returning to more normal levels, a substantial amount remains off-line. According to the Minerals Management Service, as of December 7, almost 32 percent of U.S. Gulf of Mexico offshore oil production, or about 476,000 barrels per day, remains shut down from Hurricanes Katrina, Rita, and Wilma. Almost 100 million barrels of crude oil production have cumulatively been lost to these hurricanes since late August, more than 18 percent of annual Gulf of Mexico offshore oil production.

¹ Spot wholesale and retail gasoline and diesel prices are from the Energy Information Administration (EIA) of the U.S. Department of Energy.

² California refinery production and inventory information are from the Petroleum Industry Information Reporting Act (PIIRA) database maintained by the California Energy Commission.

³ ANS crude oil prices are from the Wall Street Journal. U.S. crude oil and product inventory estimates are from the Energy Information Administration of the U.S. Department of Energy.